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Apr 20 9 50 AM '00

COMMONWEALTH EDISON COMPANY

CHIEF CLERK'S OFFICE

Petition for expedited approval of implementation  
of a market-based alternative tariff, to become  
effective on or before May 1, 2000, pursuant to  
Article IX and Section 16-112 of the Public Utilities Act:

Docket No. 00-0259

AFFIDAVIT OF ROGER CHRIST

State of Illinois )

County of Sangamon )

The undersigned, under oath, deposes and states as follows:

1. My name is Roger Christ. I am employed by the Illinois Commerce Commission as an Economist in the Energy Division - Policy Section of the Public Utilities Division of the Illinois Commerce Commission.

2. Attached hereto are ICC Staff Exhibits 2.0, 2.1, 2.2, and 2.3 in response to the petition and prepared testimony filed by Commonwealth Edison Company in the above referenced docket. ICC Staff Exhibit 2.0 is a eight page document containing my prepared testimony. ICC Staff Exhibit 2.1 is a two page document which is a reproduction of a response by ComEd to Staff data request number 8. ICC Staff Exhibit 2.2 is a one page document which is a reproduction of a response by ComEd to Staff data request number 22. ICC Staff Exhibit 2.3 is a four page spreadshhet prepared by me.

3. The aforementioned document is true and correct as of the date hereof to the best of my knowledge.

Further affiant sayeth naught.

Roger Christ  
Roger Christ

Subscribed and Sworn to before me  
this 20th day of April, 2000

Joyce Adcock  
Notary Public  
My Commission Expires: \_\_\_\_\_



**DIRECT TESTIMONY**

**OF**

**ROGER CHRIST**

**ECONOMIST**

**ILLINOIS COMMERCE COMMISSION**

**ENERGY DIVISION—POLICY SECTION**

**Docket No. 00-0259**

**Commonwealth Edison Company**

**Petition for expedited approval of implementation  
of a market-based alternative tariff, to become  
effective on or before May 1, 2000,  
pursuant to Article IX and Section 16-112  
of the Public Utilities Act**

**April 18, 2000**

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1    **1.    Witness Qualifications**

2    **Q.                    State your name and business address.**

3    A.                    Roger Christ, Illinois Commerce Commission, 527 East Capitol Avenue,  
4                          P.O. Box 19280, Springfield, Illinois, 62794-9280.

5    **Q.                    By whom are you employed and in what capacity?**

6    A.                    I am employed as an Economist in the Illinois Commerce Commission's  
7                          Energy Division—Policy Section.

8    **Q.                    What are your responsibilities within the Energy Division—Policy**  
9                          **Section?**

10   A.                    I am to provide economic analyses and advise the Commission and other  
11                          staff members on issues involving the gas and electric utility industries. I am to  
12                          review tariff filings and make recommendations to the Commission concerning  
13                          those filings. I am to provide testimony in Commission proceedings. In selected  
14                          cases, I am to sometimes act as an assistant to the Commission or to hearing  
15                          examiners.

16   **Q.                    State your educational background.**

17   A.                    I graduated from the Knox College in Galesburg, Illinois, in 1966 with a  
18                          Bachelor of Arts degree in economics and business administration. I obtained a  
19                          Masters of Science degree in economics from Southern Illinois University at  
20                          Carbondale. By 1973, I had completed all work toward a doctorate in economics  
21                          from SIU, except the written dissertation and its defense. In addition from 1975 to

22 1985, I also completed courses in mathematics, statistics, and computer science  
23 from University of Illinois at Springfield.

24 **Q. Describe your professional experience.**

25 A. I have been employed as an Economist in the Illinois Commerce  
26 Commission's Energy Division—Policy Section since April 2000. From May 1994  
27 to February 2000, I was Commissioner Kolhauser's Assistant at the Illinois  
28 Commerce Commission. From February 1974 to May 1994, I was an economic  
29 analyst with the Illinois Bureau of the Budget, where I monitored and projected  
30 Illinois economic trends and State tax revenues and I also performed Illinois  
31 economic and State tax revenue impact analyses. While in graduate school at  
32 Southern Illinois University at Carbondale, I taught business statistics and  
33 principles of economics. From August 1966 to August 1968, I was on active duty  
34 in the U.S. Air Force working in accounting and finance.

35 **2. Purpose of Testimony**

36 **Q. What is the purpose of your testimony?**

37 A. The purpose of my testimony is to discuss Commonwealth Edison's  
38 ("ComEd's") "wholesale" option and its relation to ComEd's proposed Rider PPO  
39 (Market Index) and to Rider PPO (NNF).

40 **Q. ComEd included proposed tariffs to effect their proposed Rider Power**  
41 **Purchase Option (Market Index) and to revise Rider Power Purchase Option**  
42 **(Neutral Fact Finder). Did it also include a proposed tariff to effect the**  
43 **"wholesale" option?**

44 A. No, because ComEd is not seeking ICC approval of the "wholesale" option.

45 However according to ComEd, the offer of the "wholesale" option

46 is contingent on a Commission finding that [ComEd's] offer is  
47 just and reasonable and will promote the development of an  
48 effectively competitive electricity market that operates  
49 efficiently and is equitable to all consumers. (See ComEd's  
50 Petition, page 2)

51 It is my understanding that the "wholesale" option is subject to FERC

52 jurisdiction as a wholesale transaction.

53 **Q. Please describe ComEd's "wholesale" option.**

54 A. The "wholesale" option allows a Retail Electric Supplier ("RES") to purchase  
55 firm energy from ComEd for delivery to retail customers in ComEd's territory who  
56 are not currently under a Power Purchase Option ("PPO") rider. Each purchase  
57 must designate the specific retail customer. The RES purchases the energy at the  
58 market value rate of the designated customer's class, which is specified either (1)  
59 in the proposed Rider PPO (Market Index) or (2) in the current Rider PPO (Neutral  
60 Fact Finder) ("NFF"). The applicable market value energy rates and Customer  
61 Transition Charges ("CTCs") depend upon the two periods for which the  
62 "wholesale" option is chosen. One period spans twelve months from June 1, 2000,  
63 to May 31, 2001, when market value energy rates and CTCs are determined in  
64 accordance with proposed Rider PPO (Market Index) for Applicable Period A. The  
65 other period spans the summer months from June 1, 2000, to September 30, 2000,  
66 when market value energy rates and CTCs are determined in accordance with  
67 current Rider PPO (NFF). The initial selection period for both "wholesale" options

ends on May 10, 2000. However, after this initial selection period, RESs can add customers new to the RES to the list of designated retail customers receiving service under Rider PPO (Market Index). Furthermore, those retail customers initially designated to receive the "wholesale" option only during the summer months at the NFF rates can be designated as of January 1, 2001 to receive the "wholesale" option at the alternative market index rates determined in accordance with proposed Rider PPO (Market Index) for Applicable Period B.

**Q. What other features about the "wholesale" option are noteworthy?**

A. The designated customer will remain the RES's customer, but the RES will share metering data with ComEd such that customers' actual usage may be billed under this option. RESs will remain responsible for obtaining network transmission service, but ComEd asserts that the wholesale contract would qualify as a network resource.

**3. The Relation of the "Wholesale" Option to Rider PPO (Market Index) and to Rider PPO (NNF)**

**Q. How should the market value rates of the "wholesale" option be determined?**

A. The relevant market for the "wholesale" option is the wholesale market because the "wholesale" option provides a source of wholesale energy to RESs. Thus, the wholesale market index energy rates under the "wholesale" option should be the retail rates determined by Rider PPO (Market Index) less sales and

89 marketing adjustment, if any. The basis for this recommendation is further  
90 developed below.

91 **Q. According to ComEd, what is the relation of the "wholesale" option to**  
92 **proposed Rider PPO (Market Index)?**

93 **A.** According to ComEd, the purpose of the "wholesale" option is to provide  
94 assurance to purchasers of energy under Rider PPO (Market Index) that the  
95 calculated market index values are a reasonable reflection of the energy market.

96 According to page 3 of the direct testimony of Juracek in this docket,

97 The accuracy of the market values produced under the alternative  
98 market-based methodology is further ensured by ComEd's offer to  
99 sell full-requirements wholesale power to serve retail customers at  
100 the calculated market values. In essence, with this offer ComEd  
101 provides market participants with some assurance that power will  
102 actually be available at the alternative market value price.

103 Also see the response to data request #8 which is Staff Exhibit 2.1.

104 **Q. Does this argument of ComEd provide a basis for your conclusion that**  
105 **the relevant market for the "wholesale" option is the wholesale market?**

106 **A.** Yes. Because ComEd in effect argues that the opportunity to purchase  
107 energy on the wholesale market provides assurance that energy is available at  
108 calculated market index values which are inflated by retail marketing costs under  
109 Rider PPO (Market Index), retail marketing costs should be eliminated from the  
110 energy rates paid under the "wholesale" option.

111 **Q. How would the assurance work?**

112 **A.** On the one hand, if the calculated market index values were above actual  
113 market prices, no one would exercise the "wholesale" option, and ComEd would



114 receive lower transition charges. Therefore, ComEd would have no incentive to  
115 formulate a market index with a upward bias or to manipulate market prices used  
116 to calculate the market index, if manipulation is possible.

117 On the other hand, if the calculated market index values were below the  
118 actual market prices, ComEd would be forced under the "wholesale" option to  
119 supply energy below the actual market price instead of selling the same energy at  
120 the higher actual market price, and the CTCs would not make up the difference.  
121 ComEd would be forced to forego profitable wholesale energy sales. If the  
122 calculated market index values were below ComEd's cost of electricity production,  
123 ComEd would experience actual financial losses under the "wholesale" option. By  
124 making the "wholesale" option available, ComEd is in effect certifying its  
125 expectation that the market values calculated for Rider PPO (Market Index) will be  
126 close enough to actual market prices that it will neither forego profitable wholesale  
127 energy sales nor suffer significant financial losses. That is, through the  
128 "wholesale" option, ComEd provides itself with an incentive to formulate a market  
129 index without a downward bias and also an incentive not to manipulate market  
130 prices to lower the market index, if manipulation is possible.

131 **Q. How long should the "wholesale" option be offered?**

132 **A.** It should be offered as long as the Rider PPO (Market Index) is offered. In  
133 particular, the "wholesale" option should continue beyond May 31, 2001, when  
134 ComEd proposes to terminate the option. Continuing the "wholesale" option  
135 provides continuing assurance that energy will be available at the market index

136 values. In the short term before May 31, 2001, ComEd may be able to tolerate  
137 foregone profitable wholesale energy sales or tolerate financial losses if the  
138 alternative market values were too low. But over the longer term if the alternative  
139 market index values were consistently below actual market prices, ComEd would  
140 find it increasingly difficult to continually forego profitable wholesale energy sales  
141 or to sustain financial losses. This prospect under a continuing "wholesale" option  
142 should to be an incentive for ComEd to re-formulate the market index if it has a  
143 downward bias and to continue to refrain from manipulating the market prices used  
144 to calculate the market index, if manipulation is possible.

145 **Q. Are there other aspects of assured availability of energy due to the**  
146 **"wholesale" option?**

147 **A.** To the extent that ComEd supplies this firm energy from its sources within  
148 its territory, the energy will bypass potential transmission bottlenecks arising from  
149 transmitting energy purchased from sources outside ComEd's territory.

150 **Q. The rates for energy under the "wholesale" option, as proposed by**  
151 **ComEd, are the same as those of Rider PPO (Market Index) and of Rider PPO**  
152 **(NFF). Are there other rates or fees that differ between the "wholesale"**  
153 **option and the PPO Riders?**

154 **A.** Yes, according to the response to data request #22 which is Staff Exhibit  
155 2.2, there are no PPO administrative fees under the "wholesale" option.

156 **Q. What are the magnitude of the savings?**

157 A. For a retail customer classified as "With only Watt-hour Only Meters" there  
158 are large savings under the "wholesale" option compared to the Rider PPO  
159 (Market Index). For retail customers classified as "0 kW to and including 25 kW  
160 Demand," "25 kW to and including 100 kW Demand," "Fixture-included Lighting  
161 Nonresidential Delivery Service Customers," and "Street Lighting Delivery Service  
162 Customers - Dusk to Dawn," there are small savings. For other customers, the  
163 savings are insignificant. See confidential Staff Exhibit 2.3 for details of the  
164 estimated customer savings.

165 Q. Do these savings mean that the "wholesale" option promotes  
166 competition in ComEd's service territory?

167 A. The actual level of competition will depend on many things, including the  
168 actual costs incurred by the RESs of marketing to these retail customers; but these  
169 savings will help each RES to put together an attractive package.

170 **4. Recommendations**

171 Q. Please summarize your recommendation?

172 A. I recommend that the Commission condition the approval of the Petition on  
173 ComEd modifying the "wholesale" option as follows: (1) to deduct marketing costs  
174 from the PPO Riders when their calculated market index values are used in the  
175 "wholesale" option, and (2) to make the "wholesale" option available as long as  
176 Rider PPO (Market Index) is available.

177 Q. Does this conclude your testimony?

178 A. Yes.

**B. [ICC] Questions Directed to ComEd Witness Juracek's Direct Testimony:**

[ICC] Request: 8

Question: (a) Other than the reasons stated in your direct testimony (page 4-5), why is ComEd seeking to place these alternative tariff sheets into effect?

(b) How does Ms. Juracek believe ComEd will benefit from this proposal between June 1, 2000 and December 31, 2000? How does Ms. Juracek believe other Unicom affiliates will benefit from this proposal between June 1, 2000 and December 31, 2000?

(c) How does Ms. Juracek [believe] ComEd will benefit from this proposal beyond December 31, 2000? How does Ms. Juracek believe other Unicom affiliates will benefit from this proposal beyond December 31, 2000?

[ComEd] Response: Chairman Mathias' March 30 report, referred to below, summarizes marketplace participants' concerns with inaccurate market value prices, at page 5.

- "If the neutral fact finder calculates a market value for electricity which does not reflect the competitive market price for electricity, the results of the statutorily mandated formulas for determining the power purchase option price and the transition charge will be inaccurate.
- More specifically, if the NFF calculation is too low, then the price at which incumbent utilities are statutorily required to offer the power purchase option will be below the price available in the competitive marketplace. Additionally, if the NFF market value is too low, the transition charge paid by the customer to the incumbent utility will be too high.
- If the market value determination is too high, the savings represented by the mitigation factor in the power purchase option calculation may not exist. Also, the transition charge paid by the customer will be too low."

As Ms. Juracek's testimony states, an effective methodology to estimate the value of freed-up electricity available to the incumbent utility as a result of customers choosing another supplier should be accurate, objective and transparent. ComEd's proposal possesses all three characteristics.

In addition, it is becoming clear that, without immediate action, the vast majority of customers currently receiving RES service will begin purchasing power from ComEd via PPO service beginning with the June monthly billing period, although many customers will also take advantage of the opportunity to assign such power and energy to their RES. This choice will prevent the RES from being responsible for procuring power to serve the customer for 12 months.

Staff is referred to the discussion at page 20 of Chairman Mathias' March 30, 2000, "Report of Chairman's Roundtable Discussions Re: Implementation of the Electric Service Customer Choice and Rate Relief Law of 1997." While ComEd strongly disagrees that the use of assigned PPO power by RESs will result in "re-monopolization," the concerns of participants summarized in this publication, should a mass switch back to ComEd occur, are accurately represented. The momentum of the competitive marketplace development will be slowed. As Ms. Juracek testified at the March 21, 2000, ICC Electric Policy Committee Meeting, "Efforts to move to a market-index based alternative to the NFF must be quick and aggressive."

Required action is most urgent in the ComEd service area, since the bulk of statewide customer switching has occurred in its service area, but other utilities are equally concerned and have expressed an intent to make future filings to be effective in calendar year 2001. See, for example, the presentation of David W. Butts of Illinois Power Company at the March 21 Electric Policy Committee meeting.

ComEd, other Unicom affiliates, other utilities, ARES and customers will all benefit from market values which reflect actual market price levels as soon as possible. That was the intent of the legislation and is the only way the marketplace can function under the price variability which has emerged since the law was enacted. ComEd's proposal is the best mechanism to achieve that goal. The advantages it will bring, if approved, will begin this summer and continue throughout the period in which transition charges are collected, to the benefit of all marketplace participants.

**D. [ICC] Questions pertaining to Exhibit E [of Petition]:**

[ICC] Request: 22

**Question:** Please identify by retail customer class any cost/charge savings to the RES and to the retail customer due to purchasing energy from ComEd under the "wholesale" option instead of under the PPO assignment option? For each retail customer class, please quantify the savings by dollars and percent of total energy cost including CTC and delivery services.

**[ComEd] Response:** Customers that purchase under the PPO using the assignment option will be subject to the Administrative Charge contained in Rider PPO – Power Purchase Option (Market Index). This fee is either \$9.00 or \$24.00 or \$79.00 per customer per month, depending on the particular customer class.

Customers that instead purchase power directly from a RES using the "wholesale" option will not be subject to the Administrative Charge contained in ComEd's Rider PPO. No specific analysis has been performed of the relative savings that may accrue to customers. However, the "wholesale" option is not the only one available to the RES. RESs may continue to serve their customers utilizing different types of wholesale transactions. The overall efficiency of the marketplace is enhanced when RESs continue to supply power and energy to their customers directly and choose among the various options available to suppliers in the marketplace.